

KENT COUNTY TESTIMONY
MICHIGAN STATE SENATE
FAMILIES AND HUMAN SERVICES COMMITTEE

Tuesday, February 3, 2009

Introduction

Senators Jansen, Hardiman and Jacobs, thank you for the opportunity to testify before you today regarding the status of child welfare in our State and in Kent County. I am Wayman Britt, Assistant County Administrator for Kent County. In this role, I am responsible for coordination of the public, private and joint efforts to help children caught in situations of neglect, abuse or other troubled circumstances. Kent County works for its children through various public, private or collaborative organizations including its Health Department, the Kent County Department of Human Services Board, the Kent County Family and Children's Coordinating Council, the Kent Intermediate School District, the Coalition to End Homelessness and many other organizations and collaborations.

Part of my role is to review and provide oversight to the Kent County Child Care Fund. The Child Care Fund is used to pay for various programs including foster care, in-home services, and institutional care which are intended to protect children and allow them to reach their greatest potential as members of our society. The Child Care Fund is funded on an equal 50/50 basis by the state and county unless a child is Title IV-E eligible whereby the federal government pays the County share. It should be noted that the State retains control of defining cases that are to be funded through the Child Care Fund and which cases are eligible for IV-E funding through State Department of Human Services.

Kent County has seen a dramatic increase in County Child Care Fund expenditures. These costs have increased over 14% per year every year since 2002. The Child Care Fund has

twice needed additional County appropriations during a budget year to ensure that the State required child welfare services were funded. In contrast, child welfare programs controlled by the County and its Family Court increased at just over 1% per year during the same period.

Because of this growth, we initiated a review of the services being provided to understand why there was such a significant increase in costs, especially in light of the fact that the Kent County Board of Commissioners appropriates \$1.6 million of funds annually for prevention services in order to reduce the occurrences of abuse and neglect. Since this review began, the State of Michigan settled the class action lawsuit brought against the State by Children's Rights Inc. regarding the State's child welfare system; and Kent County was mandated to move from a primary Purchase of Service Model for child welfare services (roughly 90 – 95%) to a 100% Purchase of Service Model.

These two events, coupled with the significant growth of the Kent County Child Care Fund caused our Office to conduct research into the status of child welfare programming and funding in our County. We believe it provides us with a unique view of what is working well in child welfare and where the system needs to be strengthened.

Our goal here today is to outline several issues that we have become aware of related to various changes in the child welfare system, and to let you know that Kent County desires to be a participatory partner with the State of Michigan in its child welfare reform efforts. We desire to find solutions and not just critique or complain. Ultimately, we have a common interest to strengthen the child welfare system for children and families to ensure that children are safe, healthy and learning.

Children's Rights Issue Summary

One area of reform that the Children's Rights Settlement calls for is information technology to manage the child welfare system. Unique to Kent County is the utilization of a web-based, real-time data management system for child welfare services called Extended Reach. This system is utilized by Kent DHS, the 17th Circuit Court and the child welfare agencies whereby they have access to real time data. It was developed locally by Cadence Solutions through a grant provided by the Grand Rapids Community Foundation. Further, Kent County supports its maintenance and operation through our Prevention Initiative. Extended Reach provides summary reports for DHS and the Court as well as case management tools for each of our non-profit partners. It is a key system to making child welfare services in Kent County responsive and accurate.

The primary data management system for child welfare services in the State is SWSS. From our attempts to access and receive data from the SWSS system, it does not appear capable of providing real-time data concerning children in the child welfare system.

We would like to point out three examples of systemic barriers regarding the use of SWSS. First, during a committee meeting to prepare for the move to 100% Purchase of Service, we learned from front-line DHS staff that Contract Monitors spend approximately 80% of their time inputting data into SWSS to open and monitor cases. It should be noted that the State employees responsible for inputting the data into the SWSS system are not data clerks, but highly trained and compensated Bachelor's and Master's level staff. Additionally, the information being entered into SWSS is a subset of information already entered into Extended Reach by Kent County's private service providers; however SWSS is not capable of accepting this already entered data and as a result the State employees must enter it a second time creating

a duplication of effort and expense. This duplicate data entry effort is a cost to the system that takes tax dollars away from the provision of actual services for children and families.

Second, as part of the County's Prevention Initiative, we desired to obtain CPS data to determine the effectiveness of our programs. According to DHS, the CPS data is not reliable in SWSS and SWSS is not capable of providing the CPS data without a writing a specific program code. Due to the ineffectiveness of the SWSS program, it has taken well over seven months to receive a response to a simple CPS data request and therefore, the ability to actually evaluate the effectiveness of tax dollar supported programs has been prevented for those months.

Finally, one component of the Children's Rights Settlement is the issuance of performance based contracts for Child Placing Agencies. This is an important and positive endeavor to ensure that private agencies are meeting key program goals. However, during discussion with agencies we learned that DHS employees were required to manually call the numerous private agencies in an attempt to ascertain data necessary to run the required cost models to determine the financial impacts of draft performance based contracts.

As you can see through these three examples, SWSS requires a costly investment of time, it cannot provide program level data for evaluation in a timely manner, and is a barrier to providing accurate data for cost models. It is our recommendation to you that the State reevaluates this system and determines whether it has the capacity to deliver the results we need. We believe that Extended Reach can be a state wide system that provides web-based and real-time data for the delivery of necessary services. From our perspective, the State is requiring the County to document its success in providing service to its children. But, it is important to remember that we cannot manage what SWSS cannot measure.

There are several other important issues surrounding the Children's Rights Settlement we would like to bring to your attention. In respect to performance based contracts, we believe that

this type of contract makes a great deal of sense. Building incentives into contracts for performance related outcomes (and ramifications for failure) establishes necessary motivations for service providers and the community regarding expected performance by the State.

One goal of the State is that the new foster care performance based contract be cost neutral to the State. Using the easily accessible data maintained in Extended Reach and initial performance based placement rates, our analysis shows the performance based contract requirement will cost Kent County \$369,000 annually. This additional cost results from the State's proposed increase in the administrative daily rate from \$27 per day to \$48 per day for the first six months and takes into account the declines in the daily rates that take effect after the first 6 months.

From our perspective, a performance based contract should be equitable to all parts of the child welfare system, and all parts of the State of Michigan. Counties and providers that currently return children home in a timelier manner should not be penalized in the development of a new performance based contract. The way the proposed contract is structured does not do that as counties such as Kent will see their Child Care Fund expenditures increase while other counties will see their Funds decrease.

One consideration that needs to be taken into account when thinking about timely permanence is the role of legislation. During our research, we noted that PA 200 of 2008 changed the time frames before which the Court can terminate parental rights. The new statute lengthened the wait time from 12 months to 15 months. This change works against permanence; it requires the County and State to pay for an extra three months of care in cases when children are ready to be adopted and the Court is ready to terminate rights after 12 months. This extension contradicts the goal for a timely permanent placement and the goals of the performance based contracts.

Likewise, the role of individual judges will have an impact on achieving permanence for children. Again, using Extended Reach, we can measure the differences in judges within the Kent County Family Court. Close collaboration between the State Court's Administrator's Office, State DHS and the Legislature will be necessary for permanent placements to occur in a timely manner. Similarly, local DHS offices, Courts, and non-profit providers will need to collaborate to ensure timely outcomes for children.

Another concern for counties as it relates to the Settlement is the development of a long-term funding mechanism to hold counties harmless for agreement reached between the State and Children's Rights. Based on our analysis and calculations, in addition to the \$369,000 for performance contracts the Settlement will cost Kent County the following:

- Caseload Staffing Requirement that Reduces Caseload Standards to 1:15 - \$473,688
- Licensing of Relative Foster Care Homes - \$84,472
- Extending the Eligibility of Foster Care until Age 20 - \$1,229,959
- Increasing the Number of Title IV-E Specialists - \$328,494

In our evaluation of the Settlement and Agreement, Kent County has not just identified additional costs. The County has looked at the entirety of the Settlement and discovered one area of savings. The Settlement limits the use of Temporary Shelter to no longer than 30 days and no more than once in 12 months. Our projected savings is \$90,650. While the limitation on the use of temporary shelter is praise-worthy, it does mean that ensuring a proper placement of children is critical. Therefore, the development of treatment foster care homes will be essential.

As I stated at the outset, Kent County is committed to its children. The changes required by the Settlement are encouraging steps to moving toward improved outcomes for the children. But, the Settlement is expected to annually cost Kent County a minimum of \$2,394,963. The

State should provide the necessary funding to accomplish the changes it has compelled us to implement.

One goal of the Settlement seems to be the increase the amount of Title IV-E funding received from the federal government. Title IV-E provides funding for children in out-of-home placements that meet certain restrictive qualifications. Between 2001 and 2007, the number of children in out-of-home placements who were deemed eligible for Title IV-E declined while the number of children supported by County Child Care Funds across the State grew from 15.8% to 44.2%. This funding shift is a direct result of the inability of children to be deemed Title IV-E eligible. The major issue is that the financial eligibility requirements for Title IV-E are tied to the AFDC (Title IV-A) standards in place since 1995. There has been no cost of living increase in this amount, even though the TANF replaced AFDC in 1996, and TANF has cost of living adjustments. Effective October 7, 2008, Public Law 110-351 became effective, which de-links adoption from these old AFDC standards, but not foster care. There is no action projected for the near future to change this.

At this time, Kent County is concerned that the State's investment in Title IV-E specialists will not have the direct impact that the State hopes it will. For the past year, a team of three designated staff in Kent County have been providing a detailed review for each case determination. The result of going over the application with a fine tooth comb is that instead of more children being eligible, fewer children are found to be eligible. Apparently, due to the potential penalties for mistakenly approving a child for Title IV-E funding, it seems that all close calls are being deemed ineligible especially since 50% cost of ineligibility is borne by the county.

The requirement now is that when a child comes into care, a financial determination has to show that either the child's parent is a current recipient of TANF, or would be eligible if s/he

applied. The problem is that the family income eligibility threshold is now so low and methods of determining family income so comprehensive that few children are being determined eligible.

One other distinction that must be made is the difference between Title IV-E eligible and Title IV-E funded. Children may be Title IV-E eligible but placed in a living arrangement that is not eligible for payments. If an arrangement is not Title IV-E eligible, the payments for both the daily per diem and board and care come from the Child Care Fund.

Michigan counties, Kent County included, are being financially stretched by both the shift in costs from the federal government to counties through the restrictions of Title IV-E, and by the new service and program mandates agreed to by the State in the Children's Rights Settlement. As a direct result, we believe that a change in the reimbursement formula for the County Child Care Funds from a 50/50 cost share to an 85/15 cost share is not only appropriate, but required. The revised formula would off-set the costs to the counties that are a direct result of the State's decision to enter into the Settlement and would provide the necessary incentive to the State to timely and competently assess Title IV-E eligibility.

While funding is important, the use of the funds to facilitate good outcomes for our children is more important. The Settlement to which the State agreed changed the role and responsibilities of the local DHS Director. Once a key participant in the on-going evaluation of programs and the development of incredibly productive public-private relationships to help children, the local DHS Director has, in essence, been removed from this role in the development, evaluation and provision of child welfare services. Instead the Settlement, and therefore the State, established a new position in the bureaucracy: the Administrator of Children's Services. This new person reports directly to Central DHS in Lansing. County DHS Boards comprised of people who live in the community have been stripped of their role to oversee local child welfare programs. We believe that County DHS Boards should be given the

statutory authority and responsibility to supervise each county's Administrator of Children's Services and approve contracts for child welfare services.

100% Purchase of Service Issues

At this time, I would like to turn my attention to the 100% Purchase of Service pilot program. As you are aware, Section 516 of the FY2009 Michigan State Department of Human Services Appropriation Legislation (Act 248 of 2008) required the implementation of a 100% Purchase of Service pilot for Child Welfare Services in Kent County. Currently, Kent County DHS purchases approximately 90 – 95% of its child welfare services from area non-profit providers. Based on analysis of historic expenditures, moving to 100% POS will cost the Kent County Child Care Fund an additional \$644,732 annually.

In the move to 100% Purchase of Service, certain activities and responsibilities of existing DHS staff must be transferred to the private agencies as part of the pilot project. The funds previously used to accomplish this work within DHS must be made available to the County to purchase this same work from the private agencies. That is the whole premise of 100% Purchase of Service. In Kent County, we estimate there are 16 – 19 FTE positions that should be transferred to the private agencies, resulting in a corresponding transfer of \$1 – \$1.5 million from DHS paid wages to vendor payment under the required 100% Purchase of Service requirement. There is no reason to maintain internal staffing levels once necessary to handle certain tasks when the County now is being required to hire private agencies to do that same work. Therefore, the County is requesting that the \$1 - \$1.5 million previously used to pay internal staff be forwarded to the County for use in paying for the Purchase of Service staff.

In addition, we believe it is essential for the \$300,000 appropriated in FY2009 for the 100% Purchase of Service pilot program is provided to Kent County to pay for the increase costs of the pilot project. This money will provide the private agencies with the necessary funds to deliver the services the State is requiring Kent County to purchase.

Conclusion

In conclusion, there are many changes occurring in the child welfare arena within the State of Michigan. County government, just like State government is committed to its children. It is important – and absolutely necessary – for counties to be part of the discussion regarding how the changes will affect their community. We believe that since our taxpayers provide millions of dollars each year to fund child welfare services in the State, counties deserve and are entitled to an active roll in the program evaluation and decision-making process. We encourage your Committee to listen to county leaders that know how these changes are working as you review the work of DHS. Kent County is a key partner in the delivery of child welfare services and believes that the changes and successes occurring in our county can be modeled in other areas of the State.

I will leave you a copy of my testimony and an 'Issue Summary' for your further consideration. Kent County stands ready to work with the State in protecting our children and doing what we can to set each of them on a path to success. Thank you for the opportunity to testify regarding this important matter.

KENT COUNTY CHILD WELFARE ISSUES SUMMARY

100% Purchase of Service Costs

Issue: Section 516 of the FY2009 Michigan State Department of Human Services Appropriation Legislation (Act 248 of 2008) calls for the 100% of Purchase of Service for Child Welfare Services. Currently, Kent County DHS purchases approximately 90 – 95% of its services. The expected cost increase to Kent County for purchasing the remaining 5 – 10% is as follows: **\$644,732**

Children's Rights Settlement Costs

Issue: The CR Settlement **reduces caseload** sizes from the current standard, which ranges from 1:20 to 1:25 to a uniform standard of 1:15. It also standardizes the supervisory ratio to 1:5. The expected annual cost increase to Kent County for this is as follows: **\$473,688***

Issue: The CR Settlement requires the **licensing of relative foster care homes**. The expected annual cost increase to Kent County for this is as follows: **\$84,472***

Issue: The CR Settlement requires the hiring of additional **IV-E Specialists**. Kent County DHS has assigned 3 staff the responsibility to ensure that cases are IV-E eligible. Instead of reducing costs, this actually increased costs by finding that families did not meet the IV-E guidelines. The expected annual cost increase to Kent County for this is as follows: **\$328,494**

Issue: The CR settlement requires DHS to develop and implement a policy to extend children's **eligibility for foster care until age 20** and make independent living services available until age 21. Public Law 110-351, which was signed in 2008, allows states by October 2010 to elect to receive federal IV-E funds for these services. Yet, IV-E eligibility is very restrictive. The expected annual cost increase to Kent County for this is as follows: **\$1,229,959***

Issue: The CR settlement requires the implementation of **performance based contracts**. Based on a draft memo received from Central DHS, the per diem rate increases from \$27 to \$48 per day for the first six months and declines thereafter. The States believes the performance based contract will be cost neutral to the State. However, there is not reliable data to confirm this. Based on Kent County data provided by Extended Reach, the expected annual cost increase to Kent County for this is as follows: **\$369,000**

Issue: The settlement states that children shall not be in temporary shelter for a period longer than 30 days and not more than once in a 12 month period. This may reduce costs for the county childcare fund as Kids First cannot be utilized as long for children with difficult placements. However, it may create challenges in securing child placements. The expected annual savings is as follows: **(\$90,650)***

Total Cost Increase to Kent County: **\$3,039,694**

Total Cost Increase to State of Michigan: **\$1,697,469**

*State & County Costs/Savings

Other Issues

- Issue:** PA 200 of 2008 extends the time from 12 months to 15 months before the Court can terminate parental rights. This will require the County to pay for an extra three months of care in many cases when children are ready to be adopted and the Court is ready to terminate after 12 months. At this time, it is difficult to determine the increased cost to the County. Moreover, this contradicts the goals of the performance based contracts which are intended to achieve permanency on a more timely basis.
- Issue:** The **State Child Welfare Data Collection System** – SWSS – is flawed and not capable of providing the necessary information needed to manage the child welfare system. As an example, the State does not know if the Performance Contract will be cost neutral because SWSS was not able to produce the necessary data to run cost models. As a result, State staff utilized hand counts in their attempt to analyze their proposals. Additionally, our office has been working with DHS on access to CPS records for an evaluation of our prevention services and the State cannot produce the data: either because it does not exist, or if it exists, it is totally inaccessible in a timely manner.

PROPOSED REMEDY

1. Provide Kent County with the **\$300,000 currently appropriated** in the State's FY2009 budget to offset the increased cost of the 100% Purchase of Service Demonstration Project; and
2. Create a long-term **Funding Mechanism** to offset the costs of 100% Purchase of Service and capital costs affiliated with delivering child welfare services (computers, juvenile justice facilities, other). It is estimated that 16 – 19 FTE from Kent County DHS will have their job responsibilities shifted to private agencies as a result of the 100% POS. The State funding for these staff (\$1 million - \$1.5 million) should be shifted to Kent County to pay for the increased costs to the County Child Care Fund; and
3. Change the existing **Child Care Funding Formula** from a 50/50 split to a 85/15 split for children that are not IV-E eligible. This funding change would off-set the costs caused by the Children's Rights Settlement, provide the necessary incentive to the State to timely and competently assess IV-E eligibility, and put pressure on a permanent outcome for children; and
4. Institute a **Data System** that works. Kent County utilizes Extended Reach for our day to day needs and it can be a state wide system that will increase jobs locally since it was developed by a Kent County company. Currently, the State is throwing money into a SWSS system that has not worked and there is no sign that it will. We cannot manage what we cannot measure; and
5. Provide **County DHS Boards** with the authority and responsibility to supervise the Administrator of Children's Services and approve contracts for child welfare services. The State is making counties more responsible for the financial support of the child welfare system. However, the State is removing County oversight since local DHS boards have been removed from overseeing child welfare programs in the CR Settlement; and
6. We want a **Voice and Vote** at the table. The County pays for a significant portion of the child welfare system – CR Settlement – no County involvement; 100% Purchase of Service – no County involvement; PA 200 of 2008 – no County involvement. These things dramatically affect the County and its residents, and the County is excluded.